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C O N F I D E N T I A L PRETORIA 002948

SIPDIS

DEPT FOR AF/S B. NEULING AND K. GAITHER, EB/IFD, EB/OMA  
LONDON, PARIS, BRUSSELS FOR AFRICA WATCHERS

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SUBJECT: MBEKI CONFIRMS SOUTH AFRICA CONSIDERING BAILOUT  
LOAN TO ZIMBABWE

REF: PRETORIA 2854

Classified By: Charge d'Affaires Jeff Hartley  
Reasons 1.4(b) and (d)

1. (U) Summary. Following a three-day cabinet retreat, President Mbeki confirmed publicly that South Africa was considering lending Zimbabwe funds to pay its IMF arrears. Mbeki said that intense discussions with the Government of Zimbabwe on a bailout had not been concluded, and that some conditions would apply. On the report of the UN special envoy, Mbeki said that the SAG would "act on the recommendations . . . with the UN, our own people, and the Government of Zimbabwe." He avoided criticizing the GOZ's Operation Restore Order, but welcomed UN engagement in helping "Zimbabwe solve the problem it faces." End summary.

2. (U) Speaking at a July 24 press conference following a three-day Cabinet lekgotla (retreat), President Mbeki confirmed publicly that South Africa was considering lending Zimbabwe funds to pay its IMF arrears in a last ditch effort to keep the IMF from expelling Zimbabwe. Mbeki said that Pretoria did not want Zimbabwe to collapse since South Africa would "inherit all of the consequences" of that collapse.

3. (U) Mbeki argued that expelling Zimbabwe from the IMF would further isolate the country and be "counterproductive" to change. He suggested that "members of the IMF executive board" share his view. On the question of paying Zimbabwe's IMF debt, Mbeki said that "it may well be that in the end we are going to come to the decision that South Africa takes on a portion of the debt."

4. (SBU) Mbeki said that discussions with the Government of Zimbabwe on the bailout loan have not been concluded. He did not explicitly describe South Africa's conditions for a loan, which we understand are still being contemplated, but hinted at some of his thinking.

-- The reform of the Zimbabwean Reserve Bank and monetary system would be a "very important element" of the solution.

-- Any agreement must be an "inclusive one, taking on the broad interests and concerns of all Zimbabweans."

-- The bailout would be discussed with the MDC, once the discussions with the GOZ were more developed.

5. (U) On the report of the UN Special Envoy on Human Settlement Issues in Zimbabwe, Mbeki said that the SAG would "act on the recommendations . . . with the UN, our own people, and the Government of Zimbabwe." He avoided criticizing the GOZ's Operation Restore Order, but welcomed UN engagement in helping "Zimbabwe solve the problem it faces." Mbeki said he would meet with the South African Council of Churches again to discuss the South African humanitarian response.

6. (U) The formal press release from the Cabinet lekgotla touched on Zimbabwe only briefly: "On the issue of developments in Zimbabwe, the lekgotla reaffirmed SA's principled position to assist the people of that country in finding a solution to the socio-economic and political challenges that they face."

7. (C) Comment: South Africa's priority in Zimbabwe seems to be first and foremost stability, ensuring that the crisis does not spill over its border. Pretoria will try to leverage its bailout for Zimbabwe to achieve economic, and to a lesser extent political, reform, but we do not believe that the SAG will impose (and enforce) the kind of conditions that will lead to dramatic reversals in ZANU-PF's policies. South Africa wants Mugabe gone, but through peaceful, constitutional change in a stable political environment. The proposed bailout loan is driven more by the desire to maintain regional stability than getting Mugabe out of power.  
End comment.

HARTLEY